

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SAIGON

INFO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMCONSUL DANANG

AMCONSUL HONG KONG

AMCONSUL NHA TRANG

USDEL JEC PARIS

USSAGE NAKHON PHANOM

CINCPAC HONOLULU HI

COGARD WASHDC

XMT AMEMBASSY SUVA

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COGARD FOR POLAD

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TAGS: PFOR, XC, US

SUBJECT: JANUARY 2 EA PRESS SUMMARY

INDOCHINA

1. FIGHTING CONTINUES IN SVN WITH 39 COMMUNISTS AND TEN GVN SOLDIERS REPORTED KIA. GVN CLAIMS REPELLED ATTACKS ON CENTRAL COAST OUTPOSTS. CLASHES CONTINUE IN DELTA IN WHAT HAS BECOME DAILY BATTLE FOR RICE SUPPLIES (UPI NYT, PHINQ, NYDN). OFFICIAL SVN PRESS AGENCY QUOTES THIEU ADDRESS TO FOREIGN DIPLOMATS THAT HANOI HAS ABOUT 400,000 TROOPS IN SVN AND PLANS LARGE-SCALE OFFENSIVE UNCLASSIFIED

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BUT THAT GVN TROOPS WOULD CRUSH IT (REUTER, NYT; UPI, PHINQ).

2. UPI PARIS (NYDN) REPORTS THAT DRV AND GVN WILL MEET

AGAIN FRIDAY IN EFFORT TO FIND COMPROMISE ON ELECTIONS TO DETERMINE POLITICAL FUTURE OF SVN; BUT OBSERVERS SEE NO APPARENT CHANCE OF EARLY AGREEMENT SINCE NEGOTIATORS AT IMPASSE WITH MEETINGS TAKING FORM OF UNILATERAL STATEMENTS IN WHICH EACH SIDE BLAMES OTHER FOR C-F VIOLATIONS.

3. SUN'S SEIDEN WRITES FROM SAIGON OF UNEMPLOYMENT THAT FACES DEMOBILIZED GVN SOLDIERS. WITH GRADUAL REDUCTION OF ARVN TO LOWER GOVERNMENT SPENDING, SOME LONG-TERM SOLDIERS HAVE BEEN DISCHARGED AND MANY HAVE NOT BEEN ABLE FIND REGULAR JOBS. SEIDEN GIVES EXAMPLE OF 19-YEAR

VETERAN, FORCED TO RETIRE YEAR AGO, WHO HAS NOT YET RECEIVED ANY OF HIS PENSION AND BARELY FEEDS HIS FAMILY ON EARNINGS AS MOTORCYCLE TAXI DRIVER. SEIDEN SEES SITUATION AS POSSIBLY GETTING WORSE WITH SHORT-TERM ECONOMIC GAINS TURNING INTO LONG-RUN POLITICAL PROBLEM OF HUNDREDS OF THOUSANDS OF UNEMPLOYED EX-SOLDIERS. GVN HAS BEEN GRADUALLY DISCHARGING SOLDIERS OVER 40, BUT OFFICIALS WON'T SAY HOW MANY HAVE BEEN SEPARATED SO FAR OR REVEAL EXACT PLANS FOR FUTURE DEMOBILIZATION.

4. FROM DALAT, SEIDEN TELLS OF GOOD LIFE AT PROVINCE COMMANDER'S MANSION WHERE GUESTS ENJOY CHINESE FOOD, FRENCH CHAMPAGNE AND GOOD MUSIC. LIFE IS ELEGANT AND TRANQUIL IN MOUNTAIN RESORT AREA WITH AMERICANS AND WEALTHY VIETS FILLING HOTELS TO ENJOY COOL AIR, SAFARIS AND MOUNTAIN CLIMBING. WAR RAGES IN NEARBY QUANG DUC PROVINCE, BUT ONLY REACHED DALAT FOR BRIEF PERIODS IN PAST AND CAUSED ONLY LIGHT DAMAGE (SUN).

5. FIELD REPORTS SAY COMBINED FANK OPERATION AGAINST LIGHT RESISTANCE CLEARS REBEL TROOPS FROM ROUTES 2 AND 30, IN AREA 8 MILES SE OF PP (UPI PHINQ, NYDN).

6. CLARITY (NYT) WRITES FROM RLG OUTPOST NORTH OF LUANG PRABANG THAT LOCAL RESIDENTS ARE ACCEPTING UNCLASSIFIED

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PL PRESENCE CALMLY. COMMANDERS OF BOTH SIDES MEET TO TELL PEOPLE THAT WAR IS OVER AND NOW LAO MUST HELP LAO; BUT RLG BALKING ON JOINT WATER PROJECT AND WANTS ASSURANCES THAT REFUGEES WHO RETURN TO VILLAGES IN PL AREA WILL BE FREE TO LEAVE AGAIN IF THEY WISH. CLARITY DESCRIBES BOAT TRIP OUT OF LUANG PRABANG AS PEACEFUL EVEN THOUGH NUMEROUS INCIDENTS HAVE OCCURRED IN AREA SINCE C-F. REFERS TO LUANG PRABANG AS "IN A SENSE THE CAPITAL OF NOWHERE," BUT ADDS THAT "NOWHERE SEEMS NOT SUCH AN UNPLEASANT PLACE". CHINESE PLANES BRING SUPPLIES INTO ROYAL CAPITAL AS PL TROOPS AND RLG POLICE FRATERNIZE. PL IN LUANG PRABANG HAVE STARTED GARDENS, SHOP IN

GROUPS, AND DISPENSE FREE MEDICINE AND POLITICAL
ADVICE FROM THEIR COMPOUNDS.

CHINA

7. REUTER REPORTS PRC ANNOUNCEMENT OF LARGEST MILITARY

LEADERSHIP PURGE IN TWO YEARS. NCNA SAYS PLA'S
TOP POLITICAL COMMISSAR HAS BEEN MADE MILITARY COMMANDER
IN SHANYANG, NE MILITARY REGION; CHEN HSI-LIEN
LEAVES THAT POST TO BECOME COMMANDER IN PEKING;
NANKING REGIONAL COMMANDER HSU SHIH-YU CHANGES PLACES

WITH CANTON COMMANDER TING SHENG. OTHER SWITCHES
IN COMMANDS COME IN TSWAN REGION WHERE YANG TEH-
CHIH CHANGES WITH WUHAN COMMANDER; AND IN LANCHOW
REGION, PI TING-CHUM TRADES WITH COUNTERPART IN
FOOCHOW (WP).

8. PEKING RADIO ACCUSES USSR OF "REAPING HUGE PROFITS
BY REEXPORTING ME OIL TO WESTERN EUROPE AT A HIGH
PRICE". CHARGES USSR WITH "FORCING ARABS TO SELL
OIL CHEAPLY IN PAYMENT FOR MUNITIONS," AND QUOTES
WESTERN PRESS IN STORY ABOUT IRAQI OIL RESOLD TO
WEST GERMANY. RADIO REPORT ALSO SAYS USSR IMPORTED
HIGH QUALITY ARAB OIL AND EXPORTED LOW QUALITY RUSSIAN
OIL TO EAST EUROPE (WP).

9. PEKING PEOPLE'S DAILY OUTLINES MAO'S VIEWS CALLING
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1973 YEAR OF GREAT DISORDER IN WORLD DURING WHICH
"PEOPLE MADE GIGANTIC STRIDES". ARTICLE SAYS COUNTRIES
WANT INDEPENDENCE, NATIONS WANT LIBERATION, AND
PEOPLE WANT REVOLUTION; MAINTAINS "U.S. IMPERIALISM"
AND "SOVIET REVISIONISM" ARE FINDING IT TOUGHER
EACH YEAR (AP NYDN, SUN).

10. TAIWAN MOBILIZES SIX FIGHTERS AND TWO WARSHIPS
TO "NEGOTIATE" TRANSPORTATION OF GRC SEAMEN FROM
NK-BOUND FRIEGHTER, ATLAS. SEAMEN HAD BEEN RESCUED
BY THE ATLAS AFTER LIBERIAN FREIGHTER SANK SW OF
TAIWAN YESTERDAY (AFP, WP).

KOREA

11. ROK GNP UP 19 PERCENT IN FIRST SIX MONTHS OF
1973 AND EXPECTED TO LEVEL OFF AT 16 PERCENT FOR
ENTIRE YEAR, RAISING GNP TO 8.7 BILLION LEVEL.
ECONOMIC FUTURE IS REPORTEDLY SMUDGED BY OIL SHORTAGES
RESULTING IN HIGH PRICES FOR OTHER RAW MATERIALS
(AP, NYDN).

THAILAND

12. FORMER FM THANAT SAYS IN JAN. 1 INTERVIEW THAT DELAY IN REMOVING US WARPLANES COULD HELP PERPETUATE MILITARY INFLUENCE IN THAILAND AS IT TRIES TO MOVE TOWARD DEMOCRACY (UPI, NYDN).

INDONESIA

13. MALIK TELLS PRESS HE TOLD VISITING SOVIET CULTURAL MINISTER INDONESIA NOT INTERESTED IN RENEWING CLOSE

RELATIONS WITH USSR, FOR GOI HAS "GROWN TOO OLD TO GO ON SUCH A HONEYMOON" (WP).

14. FROM JAKARTA, NYT SCHANBERG REPORTS INDONESIA STUDENTS STIRRING OVER EXCESSIVE FOREIGN INVESTMENTS, CORRUPTION IN GOVERNMENT AND OFFICIAL FAVORITISM TO CHINESE BUSINESSMEN. ALTHOUGH THERE IS NO NATIONAL UNCLASSIFIED

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STUDENT LEADERSHIP, GOI AWARENESS REFLECTS RECENT THAI EXPERIENCE WITH STUDENT PROTESTS. JAKARTA TIMES SAYS "IT IS FOR GOVERNMENT TO REALIZE ITS MISTAKES AND REACT TO STUDENT CRITICISM IN A POSITIVE MANNER." GOI RECENTLY APPEALED TO STUDENTS SAYING THEY HAD BEEN INFILTRATED BY PUBLICITY SEEKERS WHOSE ACTIONS COULD LEAD TO ANARCHY. BUT SCHANBERG SAYS KNOWLEDGEABLE PEOPLE THERE VIEW SITUATION WITH OPTIMISM, NOTING NO. 2 STONGMAN'S RECENT LIBERAL SHOWING. GEN. SUMITRO HAS BEEN TRAVELING AROUND PROMISING "NEW PATTERN OF GOVERNMENT."

JAPAN

15. OHIRA FLIES TO PEKING TO SPEED NORMALIZATION OF RELATIONS; OHIRA TELLS PRESS HE PLANS DISCUSS GENERAL RELATIONS, INCLUDING "ISSUE OF AIR AGREEMENT." TANAKA'S MOSCOW VISIT AND JAPAN'S ME SITUATION ALSO EXPECTED TOPICS AS IS PRC WISHES THAT JAPAN NOT ASSIST SOVIET MOVES IN ASIA. BELIEVED OHIRA WILL OFFER TECHNOLOGICAL COOPERATION TO HELP PRC DEVELOP ITS OIL RESOURCES (UPI, PHINQ).

16. WP'S OBERDORFER SAYS ANNUAL GREETINGS BY JAPANESE LEADERS SUGGEST RETURN TO TRADITIONAL VALUES TO DEAL WITH SEVERE PROBLEMS AHEAD. TANAKA IN NEWSPAPER AD SAYS PETROLEUM CRISIS THREATENS TO EXTEND WELL INTO 1974 AND CALLS FOR UNITED EFFORTS TO OVERCOME HARDSHIPS. HOUSE SPEAKER SAYS THAT DUE TO PRICE SPIRALS AND OIL CRISIS, AGE OF AFFLUENCE IS OVER; CALLS FOR NEW START AS "NATION OF MORALS WHICH WOULD BE RESPECTED BY THE WORLD."

17 NENNEMAN (CSM), IN REVIEW OF ECON FORECASTS, SEES BIG QUESTION AS ARAB OIL CARTEL AND ITS EFFECTS ON EUROPE AND JAPAN. HIGHER OIL PRICES WOULD ADD TO INFLATION AND AFFECT BALANCE-OF-PAYMENTS, WITH LATTER POSSIBLY THE LESS SERIOUS. INFLATION IN JAPAN IS ALREADY RUNNING AT OVER TEN PERCENT AND, IF PUSHED HIGHER, FINANCIAL MARKET DISLOCATIONS AND HARDSHIP ON CITIZENS MAY RESULT IN "SEVERE CONSEQUENCES" INCREASED FUEL COSTS COULD MAKE PRODUCTS LESS COMPETITIVE
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WITH THOSE OF US. EFFECT OF OIL PRICE ON PRICE LEVELS OF EUROPE AND JAPAN IS "PERHAPS THE KEY ELEMENT TO UNDERSTANDING THE WORLD ECONOMY".

18. WSJ REPORTS THAT JAPAN'S RESERVES FELL 950 MILLION DOLS IN DEC. TO LEVEL OF 12.25 BILLION, AS COMPARED TO 19.07 BILLION IN FEB., ON MOUNTING SPECULATION THAT YEN WILL BE DEVALUED SOON. SEES REAL OUTFLOW AS STEEPER SINCE IN PAST JAPAN "SQUIRRELED AWAY" SOME ASSETS IN FORMS THAT WEREN'T COUNTED AS PART OF THEN EMBARRASSINGLY-HIGH RESERVES, AND NOW MAY BE DRAWING DOWN ON THESE HIDDEN ASSETS FASTER THAN ON OFFICIAL RESERVES. NEW NEGATIVE PAYMENTS BALANCE LARGELY DUE TO MASSIVE OVERSEAS INVESTMENT, GAINS IN US TRADE POSITION AND OIL CRISIS. YEN THEORETICALLY FLOATS BUT ACTUALLY IS PEGGED AT 280 TO DOLLAR. FUTURES TRADERS ARE BETTING ON INCREASE TO ABOUT 313 YEN TO DOLLAR IN SIX MONTHS. BANK OF JAPAN SPOKESMAN SAYS FOREIGNERS WERE NET SELLERS OF JAPANESE SECURITIES IN DEC., WHILE JAPANESE WERE SUBSTANTIAL BUYERS OF US STOCKS AND BONDS; SUGGESTS GOJ MIGHT SOON INTERVENE TO STEM DRAIN ON RESERVES.

COMMENT AND ANALYSIS

19. NYT'S DURDIN, IN HK, SEES SHIFT IN NANKING REGION MILITARY COMMANDER HSU SHIH-YU TO CANTON AREA COMMAND AS PART OF PROCESS OF SLOWLY DIMINISHING POWER OF MILITARY IN LAST TWO YEARS. NOTES NANKING REGION WAS ONE OF GREAT ECONOMIC AND STRATEGIC IMPORTANCE, WHILE CANTON AREA CARRIES "SLIGHTLY LESS WEIGHT IN NATIONAL AFFAIRS." SAYS SINCE HSU AND CHEN HSI-LIEN -- COMMANDER OF NE CHINA FRONT FACING USSR -- ARE ONLY REGIONAL COMMANDERS WHO ARE POLITBURO MEMBERS, "ATTENTION IS NOW FOCUSED" ON CHEN, WITH SPECULATION WHETHER HE MIGHT ALSO BE SHIFTED AS PART OF EFFORT AGAINST REGIONAL POWER BASES.

20. FROM CANTON, JOC'S STRAUSS FINDS INCREASING SIGNS OF CRIME AND VIOLENCE IN SOUTHERN CNA, WITH AUTHORITIES THERE "QUITE WILLING TO CONFIRM THEM." AMONG REPORTS UNCOVERED AND CONFIRMED ARE RECENT PUBLIC
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EXECUTIONS, RAPES AND INTERFERENCE WITH PRC EFFORTS TO RESETTLE YOUNG PEOPLE IN COUNTRYSIDE. STRAUSS REPORTS THAT OTHER SIGNS OF CHANGE ON LIBERALIZATION INCLUDE SPATE OF CARDPLAYING, KEEPING OF PET BIRDS AND EVEN SOME DOGS GUARDING FACTORIES IN SMALL CITIES OUTSIDE CANTON. SERIOUSNESS OF RECENT CRIMES IS UNDERLINED BY INCREASED EMPHASIS ON ALLEGED "SPIES

AND SABOTEURS"; INCREASINGLY BICYCLES ARE LOCKED UP, AND AT ONE FACTORY HAND-FANS WERE NUMBERED TO PREVENT PILFERAGE.

21. TORONTO GLOBE'S BURNS, IN PEKING, REPORTS STORY OF 12-YEAR-OLD FIFTH-GRADE STUDENT HUANG SHUAI, WHO DEFIED HER TEACHER AND IS BEING PRAISED IN CCP PAPER JENMIN JIH PAO. FINDS CURRENT CAMPAIGN AKIN TO EARLY DAYS OF CULTURAL REVOLUTION AND CITES "CONSIDERABLE STIR" INCIDENT HAS CAUSED AMONG PEKING TEACHERS AT ALL LEVELS. SAYS WHILE TOO EARLY TO SEE WHETHER CAMPAIGN WILL FOLLOW 1966 PATTERN, ALREADY CLEAR IT IS NOT LIMITED TO SCHOOLS (NYT).

22. DISMISSING AS "PALPABLE NONSENSE" ARGUEMENTS THAT PRESIDENT'S IMPEACHMENT OR RESIGNATION WOULD HURT US FOREIGN POLICY, NYT'S RESTON CITES IN PARTICULAR NIXON ACHIEVEMENTS VIS-A-VIS USSR AND PRC. MAINTAINS THAT IN NEXT THREE YEARS CRITICAL FOREIGN QUESTIONS UNLIKELY TO DEPEND ON PRES. PERSONAL RELATIONS WITH BREZHNEV OR CHOU, BUT ON US RELATIONS WITH WE, JAPAN AND ME WHERE HIS ACHIEVEMENTS "HAVE NOT BEEN SPECTACULAR."

23. FROM TOKYO, CSM'S POND FINDS JAPAN "NOT DOING TOO BADLY" DURING OIL CRISIS. SITUATION SERIOUS, BUT FAR FROM FATAL. JAPAN'S DESIGNATION BY ARABS AS FRIENDLY COUNTRY MEANS OIL SHOULD FLOW AGAIN AND THAT WORST HAS BEEN AVERTED. OIL CRISIS HAS NOT STRAINED US-JAPAN RELATIONS AS MUCH AS US RELATIONS WITH EUROPE. HAK DESIRED GOJ REFRAIN FROM TILTING TOWARD ARABS SO NOT TO WEAKEN HIS HAND PRIOR TO NEGOTIATIONS; "BUT HE COULDN'T ASK JAPAN TO COMMIT ECONOMIC SUICIDE."

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24. SUN NOTES THAT CONGRESS, IN RUSH TO RECESS, APPROPRIATED 5.8 BILLION DOLS FOR FY 1974 FOREIGN AID, HIGHEST IN 21 YEARS; BUT CAUTIONS AGAINST THINKING "THE OLD IDEALISM OF FOREIGN AID IS BACK." SEES INCREASE AS "DISGUISED FORM OF PAYING FOR THE ADMINISTRATION'S FOREIGN POLICY AND FOR PAST AND FUTURE WARS."

OBSERVES THAT MILITARY ASSISTANCE INCLUDES 150 MILLION
DOLS OF 200 MILLION DOLS PRES. WANTED FOR CAMBODIA,
AND ECONOMIC AID INCLUDES 450 MILLION DOLS FOR
INDOCHINA POSTWAR RECONSTRUCTION -- "SIMPLY A FEE" US
IS PAYING FOR BEING ALLOWED TO WITHDRAW FROM WAR STILL
RAGING OUT OF CONTROL. RUSH

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